



Government of the District of Columbia

CABLE TELEVISION REPORT 2002



District of Columbia Office of Cable Television and Telecommunications (OCTT)

Darryl D. Anderson
Executive Director

Anthony A. Williams
Mayor

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Sources:

Final Report: District of Columbia Needs Assessment, Institute For the Positive Use of Technology (Input), December 21, 2001

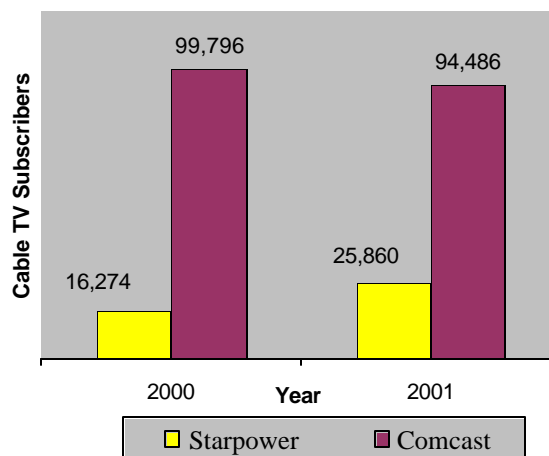
Cable Operators Responses to Compliance Report Questionnaires, May/June 2002

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Multichannel Television Competition in the District

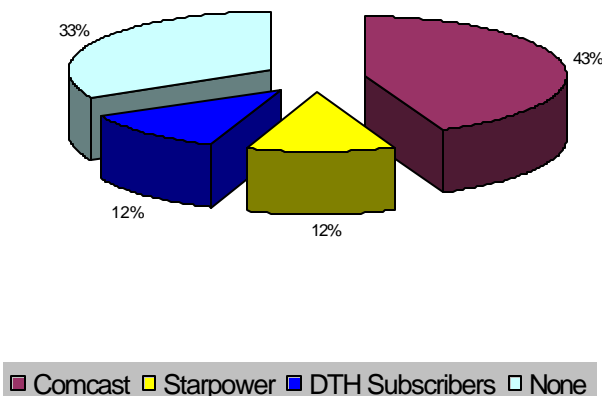
Comcast Cablevision of the District, LLC ("Comcast") is the largest cable television provider in the District with approximately **94,486** residential subscribers (or 43%) of approximately **216,780** television households in the District. Starpower Communications, LLC ("Starpower") is the other cable television provider in the District. It has approximately **25,860** of the television households (or 12%). Combined, Comcast and Starpower have approximately 55% market penetration in the District.

Competition between Comcast and Starpower
(2000-2001)



Out of the remaining District households, approximately **25,830** (or 12%) receive video programming services from direct-to-home (DTH) satellite television services. And approximately **70,604** (or 33%) are without cable television or DTH service.

Multichannel Television Competition in the District



FROM THE EXECUTIVE DIRECTOR



Darryl D. Anderson
Executive Director

The District of Columbia Official Code Section 43-1806(d)(9) requires the Office of Cable Television and Telecommunications (OCTT) to prepare an annual report on the status of cable television in the District. OCTT is the District government agency responsible for the general regulation of cable television in the District.

The District currently has two cable operators, Comcast and Starpower. Comcast is owned by Comcast Cable Communications, the third largest cable company in the U.S., serving more than 8.5 million subscribers. Starpower, which operates an open video system (“OVS”), is a joint venture between RCN Corporation and Pepco Communications, LLC, a wholly-owned but separate affiliate of Potomac Electric Power Company (PEPCO).

Cable television was introduced to the District in March 1985, when the District granted a 15-year franchise to District Cablevision, Inc. (“DCI”). The franchise was transferred to District Cablevision Limited Partnership (“District Cablevision”), a partnership between DCI and Telecommunications Inc. (“TCI”).

In February 1999, AT&T acquired TCI and became the sole owner of District Cablevision when it acquired the remaining DCI interests in November 1999.

Meanwhile, on October 26, 1998, pursuant to federal law and to encourage competition, the District authorized Starpower to start providing cable service as an OVS operator. Unlike with respect to a normal cable operator, federal law exempts Starpower from obtaining a franchise before providing service. However, the District entered into an OVS agreement with Starpower requiring substantially similar obligations and responsibilities as would be applicable under a cable television franchise.

In 2000, Comcast Cable Communications and AT&T agreed to swap several cable systems, including AT&T’s District Cablevision. As a result, Comcast became the owner of District Cablevision in January 2001. From 2000-2002, the Council had to extend the initial 15-year franchise several times to allow franchise renewal negotiations with Comcast, the new cable operator, to conclude. In July 2002, the Council approved a new franchise agreement between Comcast and the District, and renewed Comcast’s franchise for a 10-year term.

In addition to services provided by Comcast and Starpower, District residents may also obtain multichannel video programming services from Direct-to-Home (“DTH”) satellite television services. DTH service providers include direct broadcast satellite (DBS) systems such as DirecTV and Dish Network. Pursuant to federal law, the District does not have the authority to regulate DTH providers. As such, DTH providers are not subject to the District’s intensive customer service regulations.

As stated, OCTT administers and enforces the cable franchise agreement between the District and Comcast and the interim OVS agreement between the District and Starpower. In addition, OCTT is responsible for the enforcement of District and federal cable laws and regulations, and the management of City Cable Channels 13 and 16.

COMPLIANCE

The Council has the authority to permit the use of the District's public rights-of-way for the provision of cable television service to District residents. Accordingly, the Council has given the permission to Comcast and Starpower to provide cable services in the District subject to certain obligations and responsibilities set forth in the franchise agreement and the interim OVS agreement. Both agreements contain the following major enforceable obligations:

- Fee of 5% of annual gross revenues
- Capital and fiscal support for public, educational, and government access television
- Contracting with, and procurement from, local, small, and disadvantaged business enterprises
- Hiring of District residents
- Compliance with customer service standards

OCTT has determined that Comcast and Starpower substantially complied with the terms of their agreements and the law in calendar year 2001. As such, this report focuses on the general areas of compliance and compares relevant data to illustrate the status of cable television service in the District. Comcast and Starpower submitted much of the data referenced in this report. Other data was obtained from OCTT's internal records as well as from outside sources.

As mentioned above, in July 2002, the Council approved a new 10-year franchise for Comcast pursuant to a new franchise agreement. Starpower provides service pursuant to an interim OVS agreement that will expire in December 2002. OCTT is currently negotiating a long-term agreement with Starpower.

COMCAST: FINANCIAL HIGHLIGHTS

	2000		2001	
PERIOD	GROSS REVENUE	FRANCHISE FEE	GROSS REVENUE	FRANCHISE FEE
1 st Quarter	15,788,298.85	789,414.94	14,576,260	728,813
2 nd Quarter	16,301,780.52	815,098.03	14,855,880	742,794
3 rd Quarter	15,216,274.02	760,813.73	13,413,520	670,676
4 th Quarter	15,623,836.82	781,191.84	15,141,560	757,078
TOTAL	\$62,930,190.21	\$3,146,518.54	\$57,987,220	\$2,899,361

STARPOWER: FINANCIAL HIGHLIGHTS

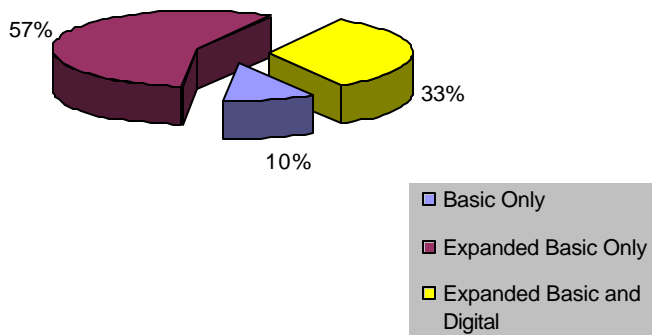
	2000		2001	
PERIOD	GROSS REVENUE	FRANCHISE FEE	GROSS REVENUE	FRANCHISE FEE
1 st Quarter	959,896.99	47,994.81	2,528,247.80	126,412.39
2 nd Quarter	1,356,195.31	67,809.77	3,079,392.80	153,969.64
3 rd Quarter	1,653,776.99	82,688.85	3,796,992.80	189,849.64
4 th Quarter	2,060,591.20	103,029.56	3,717,634.40	185,881.72
TOTAL	\$6,030,460.49	\$301,522.99	\$13,122,267.80	\$656,113.39

COMCAST: SERVICE

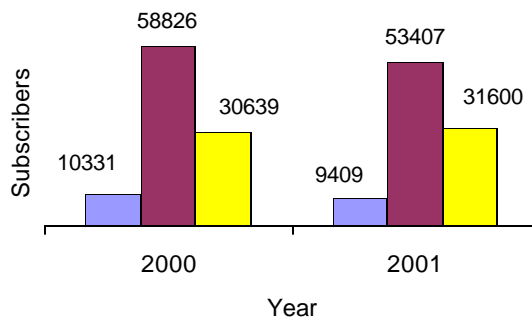
Comcast provides services throughout the District to approximately 94,486 commercial and residential customers. It has analog service and limited digital service. Pursuant to its franchise agreement with the District, Comcast is currently upgrading its system in order to provide full digital service and cable modem service for high-speed Internet access. It has completed approximately 25% of the upgrade as of the

publication of this report. Comcast's basic analog service consisting of 33 channels starts from \$11.43 monthly, and expanded basic service consisting of 65 channels is offered for an additional \$22.44 monthly. Its digital package starts from an additional \$4.99 monthly with 13 additional analog channels on the expanded basic tier and up to an additional 100 channels on its premium tier.

COMCAST: Subscribers by Tiers (2001)



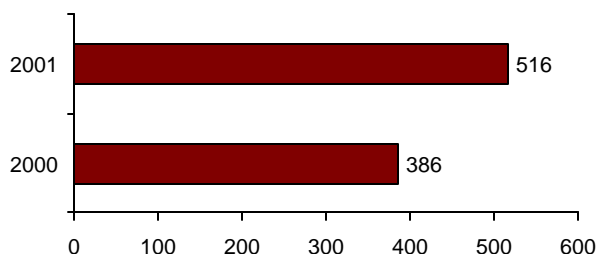
COMCAST: Service Comparison (2000-2001)



COMCAST: CUSTOMER RELATIONS

According to independent OCTT data, customer complaints submitted to OCTT relating to Comcast service increased by 34% from 386 in 2000 to 516 in 2001. This unusual increase is attributable to service disruption and outages caused by Comcast's ongoing system upgrade. Nevertheless, figures submitted by Comcast showed that customer complaints are addressed promptly most of the time.

COMCAST: Customers Complaints to OCTT (2000-2001)



COMCAST: EMPLOYMENT OF DISTRICT RESIDENTS

Approximately 40% of Comcast's employee and senior management staff are District residents. This complies with the good faith efforts required to ensure that 51% of new hires are District residents. Comcast has employed a variety of measures to hire and retain District residents, including a First Source Agreement with the District's Department of Employment Services ("DOES"), an apprenticeship program with referrals from the District's Apprenticeship Council, job fairs, and referrals from local organizations. All of the apprentices in Comcast's apprenticeship program are District residents.

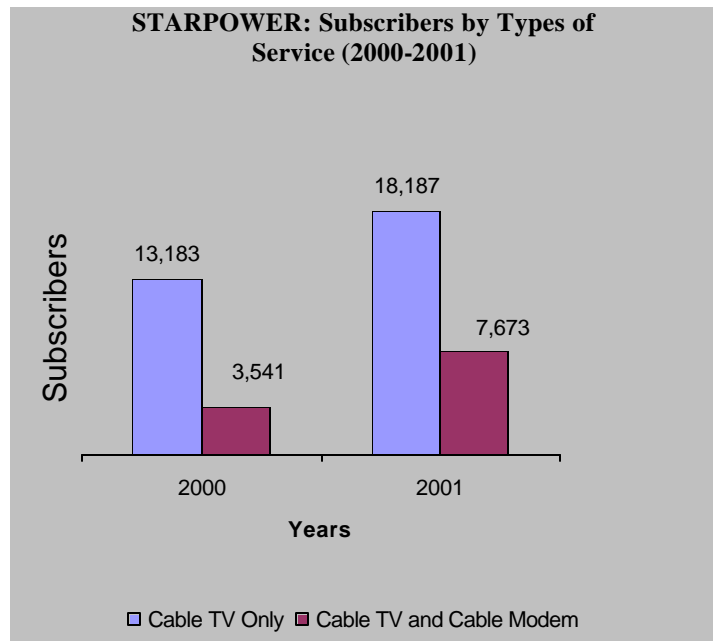
Approximately 291 (94%) of Comcast's 311 District employees are minorities, 251 (81%) are African-American, and 158 (51%) are women. Also, 86% of its regional senior management team are minorities, and 30% are female.

STARPOWER: SERVICE

Starpower provides cable service in most areas of the District to approximately 25,860 residential and commercial subscribers. In addition, Starpower provides telephone and high-speed cable modem services separately or combined with its cable service over a digital network.

Starpower's services are available to approximately 80% of District residents. Starpower does not provide service in areas within what is known as the "fire zone." The "fire zone" refers to areas where installation of *aerial* telecommunications facilities is prohibited by District law. The "fire zone" encompasses the entire downtown and all adjacent areas, including Dupont Circle area, Adams Morgan, Georgetown, Foggy Bottom, Mount Pleasant, Columbia Heights, Capitol Hill, Shaw-Howard, Eckington, Trinidad, most of Southwest, and parts of several other older neighborhoods. Starpower is not required by its interim OVS agreement to provide universal service; as such, it has deferred most of the remaining installation of its network until it can afford the cost of underground construction in the "fire zone."

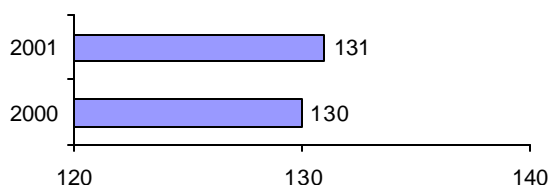
Starpower's cable services start with the basic tier consisting of 97 channels for \$34.95 monthly, and steps up to the digital basic tier consisting of an additional 136 channels for \$44.90 monthly. The number of subscribers on each tier of Starpower service is difficult to determine because of the company's heavy reliance on "bundled" packages that include cable modem and telephone services.



STARPOWER: CUSTOMER RELATIONS

According to independent OCTT data, customer complaints submitted to OCTT relating to Starpower remained approximately the same in 2001 when compared to 2000. Figures submitted by Starpower showed that customer complaint are addressed promptly most of the time.

STARPOWER: Customers Complaints to OCTT (2000-2001)



STARPOWER: EMPLOYMENT OF DISTRICT RESIDENTS

According to Starpower, its local workforce consists of no District residents. However, its regional workforce consists of approximately 11% District residents. Although Starpower submitted a plan for using advertisement, job fairs, and job training as recruitment sources, it has not entered into a First Source Agreement with DOES as required by law. OCTT accepts the claim by Starpower that recent reductions in its total workforce significantly impacted the percentage of District residents employed by the company.

OCTT ON PROGRAMMING

OCTT manages and operates two government cable access channels: City Cable 13 and City Cable 16. These channels are available within the basic channel line-up of Comcast and Starpower, and in real time on the Internet at www.octt.dc.gov.



James D. Brown
Director of
Programming

City Cable Channel 13 provides gavel-to-gavel coverage of live and recorded activities of the Council and its various committees.

City Cable Channel 16 covers programs, services, and opportunities within the District government. The coverage includes original programming on a wide range of issues such as education, housing, healthcare, the environment, economic development, and arts and entertainment. In addition, City Cable 16 features the mayor's press conferences, agencies' programs and activities, and current affairs.

THE LINE UP

ASK THE MAYOR

The best radio on television in DC. Residents call in live to WTOP Radio's monthly program, *Ask the Mayor*. What you hear is what you get - live and unedited!



CITYLINE

Each month *CityLine* spotlights ordinary citizens who are doing extraordinary things. The show is a platform for telling the personal stories of DC residents who are making a difference in their lives and in the lives of others.



DC IN ACTION

Programs focus on the top events and stories of DC. Features include everything from politics to the arts, revitalization of East of the River to the DMV customer service.



ASK THE CHIEF

This monthly call-in show features Police Chief Charles Ramsey as he answers the concerns of DC residents regarding crime and public safety on WTOP Radio.



REPORTER'S ROUNDTABLE

Hosted by Denise Rolark Barnes of the Washington Informer, the show tackles the top news items affecting District residents. Viewers will hear issues addressed from every perspective by panelists like Hamil Harris of the Washington Post, Deborah Simmons of the Washington Times and J. Israel Baderas of NUE-TV.



CAPITAL CINEMA

Each month *Capital Cinema* profiles major films and TV programs produced in Washington and spotlights the work of local independent filmmakers, talent, production crew and services. This new program provides a fascinating look into film-making business with advice from directors, producers and various industry representatives.



IN STYLE WASHINGTON

Hostess Gwendolyn Russell gives the ultimate tour of Washington's finest hotels, restaurants, boutiques and events.



OCTT FY 2002 BUDGET

The FY 2002 operating budget for OCTT is \$3,700,000, and increase of \$129,450 (or 4%) over the FY 2001 approved budget. OCTT receives 86% of its funding from the franchise fees paid by cable operators, and 14% from intra-District sources. Personal services is \$1,847,772 and non-personal services is \$1,852,528. There are 32 full-time employees (FTEs) supported by the budget, an increase of 6 FTEs over the FY 2001 budget.

FY 2002 BY REVENUE TYPE

	FY 2001	FY 2002
Local	0	0
Other	3,054,000	3,184,000
Intra-District	517,000	517,000
TOTAL	\$3,571,000	\$3,700,000

FY 2002 BUDGET BY GROUP

	FY 2001	FY 2002
Reg. Pay (F/T)	723,000	1,030,000
Reg. Pay (Other)	550,000	555,000
Additional Gross Pay	0	0
Fringe Benefits	201,000	263,000
Subtotal Personal Service (PS)	1,474,000	1,848,000
Supplies and Materials	5,000	25,000
Utilities	6,000	6,000
Communications	71,000	116,000
Rentals—Land and Structure	752,000	806,000
Other Services and Charges	458,000	307,000
Contractual Services	55,000	435,000
Equipment	751,000	158,000
Subtotal Nonpersonal Services (NPS)	2,097,000	1,853,000
TOTAL	\$3,571,000	\$3,700,000

COMING TO YOU LIVE...

In 2001, OCTT purchased a mobile television production vehicle to produce and transmit live government events. The production vehicle is equipped with ultra-modern and sophisticated audio-visual electronics capable of producing and transmitting live events from remote locations to OCTT studios for cablecasting. For instance, OCTT used the production vehicle for the live cablecasting of the Mayor's State of the District address in February 2002. For this type of usage, the capacity of the production vehicle is identical to or, in some aspects, exceeds that of commercial television. In addition, the vehicle will greatly enhance the District's emergency communications capacity.



In August 2002, Mayor Anthony Williams joined OCTT's production crew, from left, John Avery, Karen Tolson, Allan Chips, Ose Ogunfiditimi, Maurice Reed, James Brown, and Silas Oluyole, getting set to showcase the emergency capacity of OCTT's mobile production vehicle at an emergency preparedness event hosted by the U.S. Department of Homeland Security at Fort McNair.

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